

**SECTION 3 INFORMATION, PLAN  
AND REPORTING FORMS**

## **Section 3 Policy and Procedures**

**Title 24 CFR Part 75 Economic Opportunities for Low- And Very Low-income Persons**, is the statutory repository for HUD's Section 3 requirements.

### **§ 75.1 Purpose.**

This part establishes the requirements to be followed to ensure the objectives of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) are met. The purpose of Section 3 is to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.

To the greatest extent feasible, training, employment, contracting, and other economic opportunities generated by Section 3 covered financial assistance shall be directed to low-and very low-income residents of the neighborhood where the financial assistance is spent, particularly to those who are recipients of government assistance for housing, and to businesses that are either owned by low-or very low-income residents of the neighborhood where the financial assistance is spent, or substantially employ these persons. Therefore, it is imperative to notify Section 3 residents and businesses about economic opportunities.

Section 3 requirements apply to grantees that plan to obligate or commit an aggregate amount of \$200,000 or more in CDBG assistance to projects involving housing rehabilitation, housing construction, barrier removal, demolition, other public buildings, facilities, or infrastructure. The \$200,000 funding threshold is comprised of the combined expenditure of all sources of housing and community development financial assistance set forth in § 135.5.

HUD requires that to the extent practical; a recipient must prepare a strategic plan, action plan, or other such plan in accordance with HUD program regulations, such plans must include a general description of the recipient's official Section 3 policies and procedures. Official policies and procedures must include, at a minimum, steps that the recipient will take to:

1. inform sub-recipients and contractors about Section 3 obligations.
2. evaluate potential bidders for Section 3 compliance during contract selection.
3. notify Section 3 residents and businesses about economic opportunities.
4. implement verification and/or certification procedures for residents and businesses.
5. provide priority consideration to qualified Section 3 residents and businesses.
6. monitor contractors for compliance.
7. establish consequences for noncompliance; and
8. utilize local community resources to meet its Section 3 requirements.

EOHLC has developed the following procedures for its grantees to follow to ensure that "**to the greatest extent feasible**," when CDBG funds are used to assist housing and community development projects, preference for construction-related training, jobs, and contracting opportunities go to low- and very-low-income people and to businesses that are owned by low- and very-low-income persons or businesses that hire them. Grantees should:

- Include the new citation in the boilerplate construction contract (**24 CFR Part 75, replaces 24 CFR Part 135**).
- attend training which explains construction contracting and Section 3 requirements and modify bidding documents and project manuals to include required Section 3 materials.
- Review materials posted on HUD's website including:
  - [Understanding Section 3 Training Curriculum - HUD Exchange](#)
- consider the inclusion of a Section 3 plan for bidders in qualified projects,
- provide the following forms to contractors so they can survey workers hired as of 11/20/20 (date of implementation of new Rule) to determine if the worker's income for the previous or annualized calendar year is below the income limit established by HUD (*Income looks at individual income, not family or household*):
  - Section 3 Worker Employer Certification -  
<https://www.hud.gov/sites/dfiles/OCHCO/documents/4736A.docx>
  - Section 3 Worker Self Certification -  
<https://www.hud.gov/sites/dfiles/OCHCO/documents/4736C.docx>
- Communicate with any contractor who is hiring to:
  - Post signs advertising new employment, training, or subcontracting opportunities that will be available as a result of the Section 3 covered projects and activities in conspicuous places at the work site where potential applicants can review them.
  - Select a Section 3 business concern, a section 3 workers residing in service area, and Youth Build participants
  - Provide training or apprenticeship opportunities
  - Provide outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act
- Grantees will be required to report to EOHLC on Section 3 compliance upon completion of each activity. The Section 3 Reporting Template should be uploaded to the miscellaneous tab and an email sent to the Program Rep. informing them this has been completed. Please note, if the Safe Harbor Benchmark is not met, the Nature of Agency Efforts will need to be completed.



OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-7000

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**Special Attention of:**  
All CPD Division Directors

Grantees and Program Managers of the following Community Planning and Development (CPD) programs: Formula Community Development Block Grant (Entitlement CDBG, State CDBG, Nonentitlement CDBG Grants in Hawaii, and Insular Area CDBG); Community Development Block Grant CARES Act (CDBG-CV); CDBG Disaster Recovery (CDBG-DR); CDBG Mitigation (CDBG-MIT); Neighborhood Stabilization Program (NSP); Recovery Housing Program (RHP); Section 108 Loan Guarantee Program (Section 108)

**Notice: CPD-21-09**

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Expires: **This NOTICE is effective until it is amended, superseded, or rescinded.**

Cross Reference: 24 CFR part 75

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Subject: Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, final rule requirements for CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, and RHP projects.

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## **I. PURPOSE**

This notice provides guidance to Community Development Block Grant (CDBG), Community Development Block Grant CARES Act (CDBG-CV), CDBG Disaster Recovery (CDBG-DR), CDBG Mitigation (CDBG-MIT), Neighborhood Stabilization Program (NSP), and Recovery Housing Program (RHP) grantees and Section 108 Loan Guarantee Program (Section 108) borrowers (collectively, “grantees”) on the requirements for Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (Section 3). These requirements apply to CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, and RHP-assisted housing rehabilitation, housing construction and other public construction projects. This notice outlines the key changes made by the notice entitled, “Enhancing and Streamlining the Implementation of Section 3 Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses,” (85 FR 61524) (“Final Rule”) published in the *Federal Register* on September 29, 2020 (codified at 24 CFR part 75) and provides guidance for tracking and reporting compliance with the new requirements. Refer to 24 CFR 75 for any further updates on Section 3 requirements after the publication of this notice.

## **II. BACKGROUND**

Section 3 contributes to the establishment of stronger, more sustainable communities by ensuring that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible and consistent with existing Federal, state, and local laws and regulations, directed toward low- and very low-income persons. Section 3 applies to training or employment arising in connection with HUD-funded housing rehabilitation, housing construction, or other public construction projects, and any contracting opportunities arising in connection with both public housing and other Section 3 projects. These opportunities are, to the greatest extent feasible, required to be given to low- and very low-income persons and business concerns that provide economic opportunities to low- or very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.

On September 29, 2020, HUD published the Final Rule and a companion notice, entitled “Section 3 Benchmarks for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses,” (85 FR 60907) (“Benchmark Notice”), in the *Federal Register*. Prior to the publication of the Final Rule and Benchmark Notice, HUD operated under regulations (found at 24 CFR part 135) (“former regulation”) provided by the Section 3 interim rule, which HUD published in 1994.

The regulation, provided by the Section 3 Final Rule, became effective on November 30, 2020 and is codified at 24 CFR part 75. The regulation simplifies the Section 3 requirements and establishes that Section 3 requirements apply to housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a minimum funding threshold. The regulation also improves alignment with current business practices by requiring the reporting of labor hours rather than new hires. Additionally, the regulation streamlines the reporting process and establishes HUD program office oversight to reduce administrative burden and make the rule more effective. The Benchmark Notice establishes the current numeric goals for compliance with Section 3 requirements. Pursuant to the regulation at 24 CFR 75.23(b)(1) and (b)(2), HUD may adjust funding thresholds or establish new benchmarks (either a single nationwide benchmark or multiple benchmarks based on geography, type of assistance, or other variables) periodically as new information becomes available. HUD must publish all updates in the *Federal Register* and all updates are subject to public comment.

## **III. APPLICABILITY**

### **A. FUNDING THRESHOLD**

The regulation established an applicability threshold of \$200,000 for housing rehabilitation, housing construction, and other public construction (e.g., public facilities and improvements) projects assisted with housing and community development financial assistance. Housing and community development financial assistance includes, but is not limited to, CDBG, CDBG-DR,

CDBG-MIT, NSP, Section 108, RHP, HOME Investment Partnership (HOME), Housing Trust Fund (HTF), Emergency Solutions Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA), Section 202 Direct Loan Program for Housing for the Elderly, Section 811 Supportive Housing for Persons with Disabilities, Lead Abatement Grants, and other HUD Notice of Funding Opportunities (NOFO) grants.

**Per 24 CFR 75.3, the Section 3 requirements apply based on the amount of housing and community development funding provided by one or a combination of two or more different applicable HUD programs exceeding the \$200,000 threshold.** For example, if a project is funded with \$101,000 of HOME funds and \$100,000 of CDBG funds, then it exceeds the applicability threshold of \$200,000 and the Section 3 requirements apply.

**Per 24 CFR 75.3(a)(iii), Section 3 requirements apply to the entire project, not just the HUD-financed portion.** If a housing rehabilitation, housing construction, or other public construction project receives more than \$200,000 of HUD funding, then Section 3 requirements are triggered and apply to all employment and training opportunities and contracts for work arising in connection with the project (subject to section III.B. below), including efforts that are financed by other, non-HUD sources of funds. Grantees must make all recipients, contractors, and subcontractors aware of the need to comply with Section 3 requirements.

**The Section 3 requirements also apply when a project receives less than \$200,000 in HUD housing and community development financial assistance but receives public housing financial assistance, as defined in 24 CFR 75.3(a)(1), or more than \$100,000 of Lead Hazard Control and Healthy Homes program funding, as defined in 24 CFR 75.3(a)(2)(i).** For example, if a project is funded with \$75,000 of CDBG funds and \$10,000 of public housing financial assistance funds, then Section 3 requirements apply because public housing financial assistance is provided. See 24 CFR part 75 Subpart D for requirements that apply to projects with multiple funding sources. Also see Section V.B. below.

## B. PROJECT AND ACTIVITY TYPES

Section 3 requirements apply to a housing rehabilitation, housing construction or other public construction project no matter which portion of the project receives the CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108 guaranteed loan funds, or RHP financial assistance. The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing (e.g., CDBG funds used to rehabilitate 20 units in one building as part of an effort to rehabilitate 40 units in two buildings on a single property. The “Section 3 project” includes the rehabilitation of all 40 units.). Once the project is complete, the Section 3 requirements no longer apply to subsequent contracts.

Section 3 requirements do not apply to projects assisted with housing and community development financial assistance that do not include housing rehabilitation, housing construction or other public construction (e.g., funds used for direct homebuyer assistance or tenant-based rental assistance). Pursuant to 24 CFR 75.3(b), Section 3 requirements also do not apply to materials-only contracts or contracts that do not require any labor. For example, Section 3 would not apply to contracts for office or janitorial supplies because these are materials-only contracts.

CDBG, Section 108, and CDBG-CV grantees must report Section 3 data in HUD’s Integrated

Disbursement and Information System (IDIS). CDBG-DR, CDBG-MIT, NSP, and RHP grantees must report Section 3 data in HUD’s Disaster Recovery Grant Reporting (DRGR) system. Grantees are cautioned to not include multiple Section 3 projects under a single activity in IDIS or DRGR; this would cause a distortion in the calculation of the benchmarks, particularly if the benchmarks were not met for one of the included projects. Instead, to properly report Section 3 projects in IDIS or DRGR, each project must be established as a distinct activity. CDBG regulations use the term “activity” which is the same as “project” for the purposes of this notice.

### C. TIMING

Section 3 requirements apply to new grants, commitments, contracts, or projects funded on or after the November 30, 2020 effective date. For Section 3 Projects, this means that requirements apply if a grantee or a recipient of HUD funds executes a legally binding written agreement or contract on or after November 30, 2020. For example:

- an executed subrecipient agreement, including any subsequent contracts or agreements, that has project- or activity-level details with respective budgets, schedules and/or secured financing
- an executed homeowner rehabilitation loan or grant agreement, and any subsequent procured contracts
- an agreement or contract, that includes secured financing, with a developer or for-profit entity to complete a multifamily rehabilitation project

Grantees and recipients of HUD funding should keep in mind that existing projects may trigger Section 3 compliance, even after the initial commitment date, if the project includes other HUD funding or additional HUD funding is added to the project. For example, funding provided in phases such as a multifamily housing rehabilitation activity initially receiving \$150,000 of CDBG assistance would trigger Section 3 requirements if it received an additional amount exceeding \$50,000 in housing and community development financial assistance. These requirements apply to specific Section 3 projects; a program is not a project. The former regulation and its requirements still apply to agreements entered prior to November 30, 2020, and their subsequent contracts or agreements. See Section IV for details on implementation timelines and reporting requirements.

## IV. TIMELINE FOR IMPLEMENTATION

### A. EFFECTIVE DATE

**The regulation became effective on November 30, 2020.** As of November 30, 2020, the requirements of 24 CFR part 135 no longer apply. Section 3 projects with CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, or RHP commitments made on or after November 30, 2020 must comply with 24 CFR part 75. Section 3 projects with CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, or RHP commitments made before November 30, 2020 must continue to comply with the requirements of 24 CFR part 135.

### B. REPORTING TRANSITION

While the regulation’s effective date was November 30, 2020, HUD expected grantees to

transition to the updated 24 CFR part 75 requirements, revise their policies and procedures and systems to comply with the requirements, and make necessary changes in IDIS and DRGR by July 1, 2021. Therefore, HUD will not enforce compliance with the regulation's reporting requirements until July 1, 2021. Grantees are not required to report Section 3 data in IDIS or DRGR for any project to which CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, or RHP funds were committed before November 30, 2020, or any project that was completed before July 1, 2021. As described in the table below, grantees must keep all files associated with Section 3 projects with commitments made before November 30, 2020, or between November 30, 2020, and July 1, 2021, to demonstrate that the projects comply with the requirements of 24 CFR part 135 or part 75, depending on the commitment date.

<b>Commitment Date</b>	Before 11/30/2020	On or After 11/30/2020 but before 7/1/2021	On or After 7/1/2021
<b>Applicable Regulations</b>	24 CFR part 135	24 CFR part 75	24 CFR part 75
<b>Reporting Requirement</b>	Grantee must retain documentation demonstrating compliance with interim rule in project file.	Grantees must retain documentation demonstrating compliance with Final Rule in project file. Grantee will report in IDIS or DRGR for open activities starting July 1, 2021. If the IDIS or DRGR activity was set up prior to the system update, grantees will need to modify the IDIS or DRGR activity to generate the appropriate Section 3 compliance screen(s).	Grantee will report compliance data in IDIS or DRGR within the applicable reporting cycles beginning on or after July 1, 2021.

## V. LABOR HOURS

The regulation introduces several new concepts and definitions to align the regulations more closely with the statutory priorities for hiring and contracting and with grantee current practices. The most significant change is the switch from tracking and reporting new hires and contracts to tracking and reporting labor hours. “Labor hours” means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance (24 CFR 75.5). The Final Rule’s focus on labor hours seeks to measure total actual employment and the proportion of the total employment performed by low- and very low-income workers. In addition, the change to tracking labor hours captures continued and long-term employment. The focus on labor hours creates an incentive for employers to invest in and retain their newly hired workers.

24 CFR 75.25 requires grantees to report the total labor hours for three categories of workers on the project: all workers, Section 3 workers, and Targeted Section 3 workers. The definitions in 24 CFR 75.5 for a “Section 3 worker,” “Targeted Section 3 worker,” and “Section 3 business concern” simplify grantee reporting and better align with statutory priorities. Benchmarks that apply to each of these categories of workers will serve as safe harbors for compliance, as discussed in Section VI of this notice.

Pursuant to 24 CFR 75.27, grantees must include language applying Section 3 requirements in any agreement or contract for a Section 3 project and must require contractors and subcontractors to meet the regulation’s requirements, regardless of whether their agreements or contracts include Section 3 language.

## A. SECTION 3 WORKER

The new definition of Section 3 worker, at 24 CFR 75.5, implements the statutory requirement that grantees ensure that job and contracting opportunities arising in connection with a HUD-funded housing rehabilitation, housing construction, or other public construction project are provided to Section 3 workers or Section 3 business concerns to the greatest extent feasible. In accordance with the regulation, a Section 3 worker is a worker who currently fits or when hired within the past five years fits at least one of the following categories:

1. Is a low- or very low-income worker that fell below HUD income limits for the previous or annualized calendar year. Low- and very-low-household income limits may be obtained from: <http://www.huduser.org/portal/datasets/il.html>
2. Is employed by a Section 3 business concern (defined in Section C).
3. Is a YouthBuild participant. YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

Grantees may count Section 3 workers’ labor hours for five years from when their status as a Section 3 worker is established, pursuant to 24 CFR 75.31. For purposes of reporting the labor hours for Section 3 workers, an employer may choose whether to define the workers as Section 3 workers for a five-year period at the time of the workers’ hire, or when the workers are first certified as meeting the Section 3 worker definition. The five-year period for a worker cannot begin before November 30, 2020; therefore, Section 3 workers hired prior to November 30, 2020 may be certified for a five-year period beginning November 30, 2020.

Pursuant to 24 CFR 75.5, a prior arrest or conviction cannot negatively affect the status of a Section 3 worker. Furthermore, Section 3 workers are not exempt from meeting position qualification requirements nor do the regulations require the employment of an individual meeting the definition of a Section 3 worker.

A worker may qualify as a Section 3 worker through one of the following certifications, in accordance with 24 CFR 75.31:

1. A worker’s self-certification that their income is below HUD’s income limit from the prior calendar year.

2. A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing.
3. Certification from a public housing authority (PHA), or an owner or property manager of project-based Section 8-assisted housing, or an administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs.
4. An employer's certification that a worker's income from that employer is below HUD's income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis.
5. An employer's certification that the worker is employed by a Section 3 business concern.

Pursuant to 24 CFR 75.31, for a worker to qualify as a Section 3 worker, the grantee must maintain (or ensure that the subrecipient, contractor, or subcontractor that employs the worker maintains) one of the listed records above from the time the worker is certified as meeting the Section 3 worker definition for the five-year period or from the time of hire (if hired within the last five years). Pursuant to 24 CFR 75.31(c), the documentation described above must be maintained for the time period required for record retention in accordance with applicable program regulations or, in the absence of applicable program regulations, in accordance with 2 CFR part 200.

#### **Special Case: Professional Services**

Professional service jobs are defined in 24 CFR 75.5 as “non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.” These jobs are excluded from the reporting requirement for Section 3 and Targeted Section 3 workers because it is very difficult for grantees and contractors to recruit and hire eligible persons for these roles due to the higher wages/salaries earned for these types of jobs. Grantees should not include the labor hours worked for professional services jobs in the total labor hours worked on the project (pursuant to 24 CFR 75.25(a)(4)) and HUD did not consider such jobs when developing the benchmarks. However, if employees in professional services roles meet the definition of a Section 3 worker or Targeted Section 3 worker, grantees can report their labor hours in the applicable worker hour category. By structuring the requirements in this way, the regulation incentivizes grantees and contractors to hire Section 3 or Targeted Section 3 workers for professional services jobs without creating undue burden if qualified Section 3 workers are not available to fill these roles.

## **B. TARGETED SECTION 3 WORKER**

The Section 3 statute requires certain recipients to prioritize their efforts to direct employment and economic opportunities to specific groups of low- and very low-income individuals. The new definition of Targeted Section 3 worker reflects both statutory and policy priorities that HUD wishes to specifically track. Pursuant to 24 CFR 75.21, a Targeted Section 3 worker for housing and community development financial assistance is a worker who meets the definition of a Section 3 worker, plus one of the following:

1. A worker employed by a Section 3 business concern (defined below), or
2. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
  - a. Living within the service area or the neighborhood of the project (defined below).
  - b. A YouthBuild participant.

The regulation defines the service area or the neighborhood of the project in 24 CFR 75.5 as “an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.”

For a worker to qualify as a Targeted Section 3 worker under housing and community development assisted Section 3 projects (pursuant to 24 CFR 75 Subpart C), the grantee and/or its recipients must maintain source documentation that the worker meets the definition of a Section 3 worker and at least one of the following (per 24 CFR 75.31(b)(2)(ii)):

1. An employer’s confirmation that a worker’s residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census,
2. An employer’s certification that the worker is employed by a Section 3 business concern, or
3. A worker’s self-certification that the worker is a YouthBuild participant.

(HUD’s Office of Policy Development and Research (PD&R) is coordinating the development of a webtool that will assist in determining employee eligibility under the Section 3 requirements. Using project site locations specified by the user, the tool will analyze surrounding geographies to verify that an individual employee’s address aligns with the eligibility criteria outlined under the rule. PD&R anticipates releasing the tool in 2021.)

However, per 24 CFR 75.29, if a CDBG, CDBG-CV, CDBG-DR, CDBG-MIT, NSP, Section 108, or RHP-assisted Section 3 project receives also public housing financial assistance, the grantee may instead choose to follow the public housing definition of Targeted Section 3 worker at 24 CFR 75.11 to simplify project reporting.

Per 24 CFR 75.11, a Targeted Section 3 worker for public housing financial assistance means a Section 3 worker who is:

1. A worker employed by a Section 3 business concern, or
2. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
  - a. A resident of public housing or Section 8-assisted housing.
  - b. A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance.
  - c. A YouthBuild participant.

For a worker to qualify as a Targeted Section 3 worker under the public housing financial assistance definition, the grantee and/or its recipients must maintain documentation that the worker meets at least one of the categories in the definition. Therefore, in addition to the documentation certifying that the worker meets the definitions of a Section 3 worker, a grantee and/or its recipients must maintain documentation for at least one of the following (per 24 CFR 75.31(b)(2)(i)):

1. A worker's self-certification of participation in public housing or Section 8-assisted housing programs,
2. A certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs,
3. An employer's certification that the worker is employed by a Section 3 business concern, or
4. A worker's self-certification that the worker is a YouthBuild participant.

In accordance with 24 CFR 75.29, for projects with multiple sources of funding, the recipients of both sources of funding shall report on the housing rehabilitation, housing construction, or other public construction project as a whole and shall identify the multiple associated recipients.

In all cases, as with a Section 3 worker, a prior arrest or conviction cannot negatively affect the status of a Targeted Section 3 worker (24 CFR 75.5). Additionally, grantees must certify that they are making efforts to prioritize training and opportunities for Targeted Section 3 workers (see Subsection D below).

### **C. SECTION 3 BUSINESS CONCERN**

The statute creates a contracting priority for businesses that provide economic opportunities for low- and very low-income workers. To implement this priority, the regulation includes labor hours worked by Section 3 business concern employees to count towards benchmarks for Section 3 workers and Targeted Section 3 workers. HUD also created a new Section 3 business concern definition that incorporates the change to labor hours and increases the threshold of work performed by a business by low- and very low-income workers. Grantees must certify that they are making efforts to prioritize contracting with Section 3 business concerns (see Subsection D below) and are responsible for verifying that businesses meet the definition of a Section 3 business concern.

A Section 3 business concern is defined in 24 CFR 75.5 as a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51 percent owned and controlled by low- or very low-income persons,
2. More than 75 percent of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
3. At least 51 percent owned and controlled by current residents of public housing or Section 8-assisted housing.

Additionally, pursuant to 24 CFR 75.5, the status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees. Furthermore,

Section 3 business concerns are not exempt from meeting contract specifications nor do the regulations require the contracting or subcontracting of a Section 3 business concern.

HUD's Section 3 Business Registry is a searchable online database of firms that have self-certified that they meet one of the regulatory definitions of a Section 3 business concern. Agencies that receive HUD funds, developers, contractors, and others can use this registry to facilitate the award of certain HUD-funded contracts. While the Department maintains the Business Registry database, it has not verified the information submitted by the businesses and does not endorse the services they provide. Accordingly, grantees must verify that each business meets the definition of a Section 3 business concern before awarding contracts to any firm that has self-certified on this registry.

#### **D. EMPLOYMENT, TRAINING, AND CONTRACTING PRIORITIZATION**

Pursuant to 24 CFR 75.19(a), grantees must, to the greatest extent feasible, ensure Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the Section 3 project is located are provided with employment and training opportunities arising in connection with the project. Where feasible, a grantee and its recipients should give priority for opportunities and training to:

1. Section 3 workers residing within the service area or the neighborhood of the project, and
2. Participants in YouthBuild programs.

Pursuant to 24 CFR 75.19(b), grantees must, to the greatest extent feasible, ensure business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the Section 3 projects are located are provided with contracts for work awarded in connection with Section 3 projects. Where feasible, a grantee and its recipients should give priority for contracting opportunities to:

1. Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project, and
2. YouthBuild programs.

All employment and training opportunities, and contracting awards provided in accordance with 24 CFR 75.19 must be consistent with Federal, state, and local laws and regulations. Ultimately, in addition to meeting prescribed benchmarks, grantees and recipients will need to certify that they have followed the prioritization of effort in 24 CFR 75.19 to demonstrate compliance (see Section VI).

#### **VI. DOCUMENTING COMPLIANCE**

Grantees must maintain or ensure that a subrecipient, contractor, or subcontractor maintains adequate records demonstrating Section 3 compliance. The regulation requires HUD to establish Section 3 benchmarks by publishing a notification, subject to public comment, in the *Federal Register* (see 24 CFR 75.23(b)). The notice must include proposed benchmarks and the methodology for determining the benchmarks. These benchmarks provide grantees a "safe harbor" by defining the percentage of labor hours worked by Section 3 workers and Targeted

Section 3 workers on a project to comply with Section 3 requirements.

HUD will consider the grantee to have complied with the requirements in the regulation, by meeting the safe harbor, in the absence of evidence to the contrary, if a grantee certifies to the prioritization of effort in 24 CFR 75.19 and meets or exceeds the applicable Section 3 benchmarks referenced in 24 CFR 75.23(b). This “Section 3 Safe Harbor” is codified at 24 CFR 75.23. If a grantee does not meet requirements of 24 CFR 75.23’s Section 3 safe harbor, HUD will require additional qualitative reporting to demonstrate compliance with the regulation (see Subsection C below).

#### A. LABOR HOURS AND BENCHMARKS

The regulation requires grantees to track and report the labor hours worked on Section 3 projects (see 24 CFR 75.25). In accordance with 24 CFR 75.23(b), HUD published the Benchmark Notice to establish initial numeric goals, or benchmarks, to measure grantee compliance with the regulation. Publishing the numeric benchmarks in a separate notice from the regulation provides HUD with the flexibility to update the goals as needed. HUD plans to review and update the benchmarks at least once every three years through notice in the *Federal Register*.

In accordance with 24 CFR 75.25(a), grantees must report the following labor hours (including total hours worked by all contractors and subcontractors) for Section 3 projects:

1. The total number of labor hours worked by all workers,
2. The total number of labor hours worked by Section 3 workers, and
3. The total number of labor hours worked by Targeted Section 3 workers.

If the project does not require time and attendance reporting, grantees may report to HUD using a good faith assessment. Grantees can report their own labor hours or that of a subrecipient, contractor or subcontractor based on the employer’s good faith assessment of the labor hours of a full-time or part-time employee, informed by the employer’s existing salary or time and attendance-based payroll systems.

Per the Benchmark Notice, the current benchmarks that apply for a Section 3 project (assisted under HUD programs that provide housing and community development financial assistance where the amount of assistance to the project exceeds a threshold of \$200,000) are:

- a. Benchmark 1: Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Section 3 workers

$$\text{Section 3 Labor Hours} / \text{Total Labor Hours} = 25\%$$

and

- b. Benchmark 2: Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Targeted Section 3 workers

$$\text{Targeted Section 3 Labor Hours} / \text{Total Labor Hours} = 5\%$$

### **Example**

Springfield commits \$300,000 of CDBG funds to ABC Developers to rehabilitate a multifamily rental building. By committing an amount above the \$200,000 threshold, the Section 3 requirements apply to this project. To comply with 24 CFR 75.25(a), Springfield must require ABC Developers to report the following accomplishments to Springfield within the applicable reporting cycles: (1) the total *Labor Hours*, (2) the total *Section 3 Labor Hours*, and (3) the total *Targeted Section 3 Labor Hours* on the Section 3 project.

Springfield is responsible for reporting labor hour data from all contractors and subcontractors hired by ABC Developers to rehabilitate the multifamily rental building. During the first quarter (July – September), ABC Developers reports to Springfield a total of 5,000 labor hours worked on the project. Of that total, 1,300 were worked by employees who self-certified as Section 3 workers. Additionally, 300 of those 1,300 hours were performed by workers who lived within a one-mile radius of the work site. Springfield has met the project-level Section 3 Benchmarks and reports the following data in DRGR at the next reporting cycle:

Total Labor Hours	5,000	
Section 3 Labor Hours	1,300	26%
Targeted Section 3 Labor Hours	300	6%

As stated above, per 24 CFR 75.23, HUD will consider grantees to have complied with Section 3 benchmarks, in the absence of evidence to the contrary, if they certify to the prioritization of effort in 24 CFR 75.19 and meet or exceed the applicable Section 3 benchmarks. See Section C. below for details on how to report qualitative efforts if the benchmarks are not met.

## **B. REPORTING**

HUD will no longer require grantees to report Section 3 compliance data annually in the Section 3 Performance Evaluation and Reporting System (SPEARS) for Section 3 projects. HUD will decommission the previous reporting modules in SPEARS in 2021. The regulation requires each grantee to report on Section 3 compliance per the reporting requirements for each applicable program. Grantees will report project or activity level data in IDIS and DRGR. This also means that grantees will report Section 3 data for each applicable HUD program in IDIS and DRGR instead of into one SPEARS annual report that measures grantees efforts across all HUD programs. In instances where there are multiple funding sources, grantees must collect and report the same data across programs for consistency.

### **IDIS**

The Section 3 reporting data fields are available on the IDIS activity setup and accomplishment screens for CDBG, Section 108, and CDBG-CV activities and will be available in the Consolidated Annual Performance and Evaluation Report (CAPER). Beginning July 1, 2021, grantees must enter Section 3 applicability and data before they can mark a CDBG, Section 108

or CDBG-CV rehabilitation or construction activity complete in IDIS. The data reported at the activity level in IDIS will be populated into the CAPER and a Section 3 MicroStrategy report (available through IDIS), eliminating the need for a separate annual Section 3 reporting system. When grantees submit their CAPER, they will fulfill the requirement for annual reporting. Grantees can also use the Section 3 MicroStrategy report to track compliance at the project level.

For CDBG, CDBG-CV, and Section 108 activities that are funded on or after November 30, 2020 and have “Open” status on or after July 1, 2021, the grantee must indicate whether the activity is subject to Section 3. Failure to indicate Section 3 applicability at activity set-up in IDIS may result in reporting noncompliance with Section 3 and program requirements in the future. If a grantee indicates that the activity is subject to Section 3 requirements, IDIS will generate Section 3 reporting fields on the activity accomplishments screen (CDBG Accomplishment Detail Page 1). The grantee shall report Section 3 labor hours (even it is 0) for every program year the activity remains open. The Section 3 reporting fields include total labor hours worked, Section 3 labor hours worked, and Targeted Section 3 labor hours worked. When a grantee enters labor hour data, IDIS will calculate the percentage of Section 3 labor hours worked and the percentage of Targeted Section 3 labor hours worked out of all labor hours worked. IDIS will also indicate whether the activity met the established benchmarks (25% Section 3 worker hours, 5% Targeted Section 3 worker hours).

#### Example

		Calculated Percentage	Safe Harbor Benchmark Met
Total Labor Hours	100		
Section 3 Worker Hours	25	25%	Yes
Targeted Section 3 Worker Hours	5	5%	Yes

		Calculated Percentage	Safe Harbor Benchmark Met
Total Labor Hours	100		
Section 3 Worker Hours	20	20%	No
Targeted Section 3 Worker Hours	1	1%	No

If the activity meets both benchmarks, HUD will consider the activity to be in full compliance with Section 3, in the absence of evidence to the contrary, and require no further reporting on that activity. If the activity does not meet one of the Section 3 benchmarks, IDIS will require further reporting on the qualitative efforts that the grantee made to try to reach the benchmarks (see Section C).

## **DRGR**

The Section 3 reporting data fields for CDBG-DR, CDBG-MIT, NSP and RHP activities in DRGR are available to be entered as projected accomplishments when setting up activities with applicable Section 3 activity types in the DRGR Action Plan using the Activity ‘Measures’ tab. The Section 3 reporting fields in DRGR include the number of total labor hours, number of labor hours worked by Section 3 workers, and number of labor hours worked by Targeted Section 3 workers. Whether a grantee reports quarterly or annually in DRGR is determined by the grant’s rules and requirements concerning reporting. Generally, RHP grantees report in DRGR annually while CDBG-DR, CDBG-MIT, and NSP grantees report quarterly. Grantees should continue to follow these required reporting cycles for Section 3 activities.

Beginning July 1, 2021, if an activity type is selected in the DRGR Action Plan where Section 3 compliance is required, grantees will have the option to propose accomplishments for each Section 3 performance measure where appropriate. In instances where projections are unavailable at the time of activity type selection, a grantee may enter “0” as a placeholder until projections are available for entry. Grantees must also indicate that the activity is subject to Section 3 requirements by selecting the “Subject to Section 3 Requirements” field under the DRGR Action Plan – Activity ‘Details’ tab. Grantees shall report actual Section 3 labor hours worked (even if it is 0 hours) for each reporting cycle the activity remains open in the DRGR Performance Report. To report actuals on these proposed Section 3 accomplishments, a grantee must access the DRGR Performance Report Activity ‘Measures’ tab to enter actual accomplishments in the Performance Report. Grantees can review proposed measures entered in the DRGR Action Plan for each applicable Section 3 activity in the Performance Report when entering actual accomplishments as a tool for grantees to track benchmark requirements and Section 3 compliance. The data reported at the activity level in the DRGR Action Plan and DRGR Performance Report will be populated on those applicable system screens and in a Section 3 MicroStrategy report (available through the DRGR Reports Module as another option to track compliance), eliminating the need for a separate annual Section 3 reporting system.

## **C. QUALITATIVE EFFORTS**

If an activity does not meet the benchmarks, but the grantee can provide evidence that it has made qualitative efforts to provide low- and very low-income persons with employment and training opportunities, then HUD will consider the grantee compliant with Section 3, absent evidence to the contrary (i.e., evidence or findings obtained from a Section 3 compliance review).

## **IDIS**

The Section 3 regulations at 24 CFR 75.25 provide a list of qualitative efforts that demonstrate what HUD considers to be efforts to comply with the Section 3 benchmarks. If a grantee did not meet benchmarks for a CDBG, Section 108, or CDBG-CV activity, IDIS will display a checklist of the qualitative efforts from 24 CFR 75.25 on the activity accomplishment screen (CDBG Accomplishment Detail Page 1). The grantee must select at least one option from the list that best describes their efforts, and/or describe their efforts in a box labeled “other” to proceed to the next activity completion screen. Grantees and/or its recipients must also maintain records in their project files to document the efforts reported in IDIS.

The checklist displayed in IDIS for qualitative efforts includes the following options:

- Outreach efforts to generate job applicants who are Public Housing Targeted Workers.
- Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
- Direct, on-the job training (including apprenticeships).
- Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- Technical training such as arranging for, contracting for, or paying tuition for, off-site training.
- Outreach efforts to identify and secure bids from Section 3 business concerns.
- Technical assistance to help Section 3 business concerns understand and bid on contracts.
- Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- Provided or connected residents with assistance in seeking employment, including drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
- Held one or more job fairs.
- Provided or connected residents with supportive services that can provide direct services or referrals.
- Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
- Assisted residents with finding childcare.
- Assisted residents to apply for/or attend community college or a four-year educational institution.
- Assisted residents to apply for or attend vocational/technical training.
- Assisted residents to obtain financial literacy training and/or coaching.
- Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- Provided or connected residents with training on computer use or online technologies.
- Other. Specify:

IDIS provides an empty text box next to “Other” to give grantees the option of entering a description about efforts taken that are not included in the list of qualitative efforts provided. Examples of qualitative efforts not included in the checklist displayed in IDIS are:

- Provided technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
- Promoted the use of a business registry designed to create opportunities for disadvantaged and small business.
- Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

## **DRGR**

The Section 3 benchmarks are minimum targets grantees must reach in order to meet the safe harbor. Grantees must, to the greatest extent feasible, work to achieve the benchmarks required for the number of labor hours performed by both Section 3 workers and Targeted Section 3 workers.

If a grantee did not meet numeric benchmarks for a CDBG-DR, CDBG-MIT, NSP or RHP activity, grantees should enter at least one of the qualitative efforts listed in 24 CFR 75.25 within the DRGR Performance Report at the activity level. The grantee must clearly identify (enter) at least one option from the list that best describes their efforts or enter “Other:” followed by narrative describing efforts not included in the list of qualitative efforts.

The qualitative efforts listed at 24 CFR 75.25 are the same for grantees reporting in DRGR.

A Section 3 MicroStrategy report (available through the DRGR Reports Module) will include all reported qualitative efforts at the activity level for the grantee and HUD to review. Grantees and their recipients should also maintain records in their project files to document the qualitative efforts reported in DRGR.

## **VII. HUD MONITORING**

The regulation establishes that the HUD program offices providing the financial assistance will perform Section 3 oversight. As part of this new oversight responsibility, Community Planning and Development (CPD) representatives and other grant managers in HUD field offices and HUD Headquarters will monitor Section 3 compliance as part of the existing CPD onsite or remote monitoring process using exhibits in the CPD Monitoring Handbook. HUD may make findings and impose appropriate remedies and sanctions in accordance with the programs’ regulations.

To prepare for potential monitoring, grantees must keep records demonstrating compliance with Section 3 requirements on a project-level basis. Grantees must establish and maintain (or ensure that a subrecipient, contractor, or subcontractor maintains) documentation to demonstrate that workers on Section 3 projects meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period. This includes requiring written reports from developers or contractors summarizing the totals for labor hours, including Section 3 worker and Targeted Section 3 worker labor hours, and documentation from employees or employers certifying that the employee met the requirements to receive Section 3 worker status (see Section V). Any information that a grantee enters in IDIS or DRGR must have supporting documentation demonstrating the accuracy of the data. Additionally, grantees must retain documentation that ensures that workers meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period. Grantees must maintain documentation in accordance with applicable program requirements for recordkeeping and record retention.



# Section 3

## Plan

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Town of Northbridge



Version Number	Date Updated	Summary of Changes
1.0	[3/13/2025]	Initial Draft

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# 1. Overview of Section 3 Requirements

## A. WHAT IS SECTION 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of 24 CFR 75. Section 3 regulations ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

## B. PURPOSE OF THIS DOCUMENT

This plan outlines how the Town of Northbridge and its subrecipients, contractors and subcontractors will comply with HUD's Section 3 requirements in implementing the Town of Northbridge's HUD funded Community Development Block Grant (CDBG) program. The Town of Northbridge will, to the greatest extent feasible, ensure that employment and other economic opportunities are directed to low- and very low-income persons (Section 3 workers and Targeted Section 3 workers) and to eligible businesses (Section 3 Businesses) and requires the same of its contractors.

The Town of Northbridge may amend its Section 3 Policies and Procedures document as necessary to ensure continued compliance with HUD's requirements and/or to reflect updated Section 3 guidance and outreach strategies.

## C. APPLICABILITY

For public housing financial assistance, all funding is covered, regardless of the amount of expenditure or size of a contract. This plan applies to development assistance, operating funds, capital funds, and all mixed-finance development.

For housing and community development financial assistance, this plan applies to housing rehabilitation, housing construction, and other public construction projects that exceed \$200,000 or more of housing and community development financial assistance from one or more HUD programs. Applicability is determined at the project level.

For projects funded with Lead and Hazard Control and Healthy Homes Programs, this plan applies to projects that exceed \$100,000.

This plan also applies to projects that include multiple funding sources. Multiple funding source projects include projects that include public housing financial assistance, housing and community development financial assistance for single or multiple recipients, and the Lead Hazard Control and Healthy Homes Program.

Section 3 requirements **do not** apply to: 1) Material Supply Contracts - § 75.3(b), 2) Indian and Tribal Preferences - § 75.3(c), and 3) Other HUD assistance and other Federal assistance not subject to Section 3 §75.3 (d). However, for financial assistance that is not subject to Section 3, recipients are encouraged to consider ways to support the purpose of Section 3.



## 2. Section 3 Coordinator

The Town of Northbridge's Section 3 Coordinator serves as the central point of contact for Section 3 compliance for Northbridge and its subrecipients, contractors and subcontractors supporting the program. Subrecipients, contractors, subcontractors and others are encouraged to reach out to Northbridge's Section 3 Coordinator with questions regarding Section 3 compliance:

**Wayne Darragh**

Community Development Programs Manager

wdarragh@cogincorp.com

## 3. Employment, Training, and Contracting Goals

### A. SAFE HARBOR COMPLIANCE

Northbridge will be considered to have complied with the Section 3 requirements and met safe harbor, if they certify that they followed the required prioritization of effort and met or exceeded the Section 3 benchmarks, absent evidence of the contrary.

Prior to the beginning of work, contractors and subcontractors will be required to certify that they will follow the required prioritization of effort for Section 3 workers, Targeted Section 3 workers, and Section 3 business concerns as outlined below in [section C](#). After completion of the project, on the Section 3 Cumulative Report, contractors and subcontractors will be required to certify that they followed the prioritization of effort requirements.

If the contractor and subcontractor does not meet the safe harbor requirements, they must provide evidence that they have made qualitative efforts to assist low and very low-income persons with employment and training opportunities.

### B. SAFE HARBOR BENCHMARKS

Northbridge has established employment and training goals that subrecipients, contractors, and subcontractors should meet in order to comply with Section 3 requirements outlined in 24 CFR Part 75.19 (for housing and community development financial assistance). The safe harbor benchmark goals are as follows:

- 1) Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers;

Section 3 Labor Hours/Total Labor Hours = 25%

And

- 2) Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers, as defined at 24 CFR Part 75.21.



Targeted Section 3 Labor Hours/Total Labor Hours = 5%

HUD establishes and updates Section 3 benchmarks for Section 3 workers and/or Targeted Section 3 workers through a document published in the Federal Register, not less frequently than once every 3 years. Given that the Section 3 benchmarks are subject to change every three years or sooner, Northbridge will review and update the Section 3 Plan every 3 years, as needed.

It is the responsibility of contractors to implement efforts to achieve Section 3 compliance. Any contractor that does not meet the Section 3 benchmarks must demonstrate why meeting the benchmarks was not feasible. All contractors submitting bids or proposals to the Town of Northbridge are required to certify that they will comply with the requirements of Section 3.

## C. CERTIFICATION OF PRIORITIZATION OF EFFORT FOR EMPLOYMENT, TRAINING, AND CONTRACTING

### EMPLOYMENT AND TRAINING

Under the Town of Northbridge's Section 3 Program, contractors and subcontractors should make best efforts to provide employment and training opportunities to Section 3 workers in the priority order listed below:

Provide employment and training opportunities to Section 3 workers within the metropolitan area (or non-metropolitan county) in which the project is located in the priority order listed below:

- 1) Section 3 workers residing within the service area or the neighborhood of the project, and
- 2) Participants in YouthBuild programs.

Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

### CONTRACTING

Under the Town of Northbridge's Section 3 Program, contractors and subcontractors must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers in the following order of priority:

- 1) Business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which assistance is located in the following order of priority (where feasible):
  - a) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project; and
  - b) YouthBuild programs.



Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

## 4. Section 3 Eligibility and Certifications

Individuals and businesses that meet Section 3 criteria may seek Section 3 preference from Northbridge or its contractors/subcontractors for training, employment, or contracting opportunities generated by Community Development Block Grant financial assistance. To qualify as a Section 3 worker, Targeted Section 3 worker or a Section 3 business concern, each must self-certify that they meet the applicable criteria.

Businesses who misrepresent themselves as Section 3 business concerns and report false information to Northbridge may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities.

### A. SECTION 3 WORKER AND TARGETED SECTION 3 WORKER CERTIFICATION

A Section 3 worker seeking certification shall submit self-certification documentation to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 worker as defined in 24 CFR Part 75. For the purposes of Section 3 worker eligibility, the Town of Northbridge will use individual income rather than family/household income to determine eligibility. The income limits will be determined annually using the guidelines published at <https://www.huduser.org/portal/datasets/il.html>.

Persons seeking the Section 3 worker preference shall demonstrate that it meets one or more of the following criteria currently or when hired within the past five years, as documented:

- 1) A low or very low-income resident (the worker's income for the previous or annualized calendar year is below the income limit established by HUD); or
- 2) Employed by a Section 3 business concern; or
- 3) A YouthBuild participant.

Persons seeking the Targeted Section 3 worker preference shall demonstrate that it meets one or more of the following criteria:

- 1) Employed by a Section 3 business concern or
- 2) Currently meets or when hired met at least one of the following categories as documented within the past five years:
  - a) Living within the service area or the neighborhood of the project, as defined in 24 CFR Part 75.5; or
  - b) A YouthBuild participant.



Section 3 workers and Targeted Section 3 workers who are seeking preference in training and employment must submit the Section 3 Worker and Targeted Section 3 Worker Certification Form.

## PROJECTS INVOLVING MULTIPLE SOURCES OF FUNDING

In cases where Section 3 covered projects include multiple sources of funds, including housing and community development assistance, the Town of Northbridge may follow either subpart B or subpart C of Part 75.

In cases where Section 3 covered projects include multiple housing and development funding sources (financial assistance) from single or multiple recipients, Northbridge will follow subpart C of Part 75. Refer to chart in [Appendix B](#).

## B. SECTION 3 BUSINESS CONCERN CERTIFICATION

The Town of Northbridge should encourage contractors and subcontractors to make best efforts to award contracts and subcontracts to Section 3 business concerns.

Businesses that believe they meet the Section 3 Business requirements can self-register in the HUD Business registry, here: <http://www.hud.gov/Sec3Biz>. Businesses may seek Section 3 Business Concern preference by demonstrating that it meets one or more of the following criteria:

- 1) At least 51 percent of the business is owned and controlled by low- or very low-income persons; or
- 2) At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing; or
- 3) Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.

Businesses that seek Section 3 preference shall certify, or demonstrate to Northbridge, contractors or subcontractors, that they meet the definitions provided in the above. Businesses may demonstrate eligibility by submitting the Section 3 Business Concern Certification Form.

Section 3 Business Concern Certification Forms must be submitted at the time of bid/proposal. If the Town of Northbridge previously approved the business concern to be Section 3 certified, then the certification can be submitted along with the bid, as long as the form is submitted within the prescribed expiration date. The Section 3 Business Concern Certification Form will expire after 12 months. Establishing a 12 month certification of eligibility period allows the Town of Northbridge the ability to assess contractor performance to ensure the business is striving to meet the required goals.

## 5. Assisting Contractors with Achieving Section 3 Goals

In an effort to assist contractors with meeting or exceeding the Section 3 goals, Northbridge will do the following:

- 1) Share Section 3 Plan with contractors and subcontractors and explain policies and procedures



- 2) Require contractors wishing to submit a bid/offer/proposal to attend pre-bid meeting
- 3) Require contractor to sign the Section 3 Plan at pre-construction conference
- 4) Review Section 3 benchmarks and prioritization of effort with contractors and subcontractors to ensure that the goals are understood. It is not intended for contractors and subcontractors to terminate existing employees, but to make every effort feasible to meet Section 3 benchmark goals by utilizing the existing qualified workforce and by considering qualified eligible Section 3 workers and Targeted Section 3 workers (per the prioritization of effort outlined in Section #3) before any other person, when hiring additional employees is needed to complete proposed work to be performed with Community Development Block Grant funding assistance.
- 5) At the time of bid, require the contractor to present a list, of the number of total labor hours, Section 3 worker labor hours, and Targeted Section 3 worker labor hours expected to be generated from the initial contract and a list of projected number of available positions, to include job descriptions and wage rates.
- 6) Maintain a local Section 3 worker/Targeted Section 3 worker database and provide the contractor with a list of interested and qualified Section 3 workers and Targeted Section 3 workers and contact information.
- 7) Inform contractors about the HUD Section 3 Opportunity Portal  
<https://hudapps.hud.gov/OpportunityPortal/>
- 8) Require contractors to notify Section 3 Coordinator of their interests regarding employment of Section 3 workers prior to hiring.
- 9) Encourage local business to register on the HUD Business Registry and direct contractors to the HUD Section 3 Business Registry <https://www.hud.gov/section3businessregistry>
- 10) Leverage Northbridge's communication outlets (social media, website, etc.) to effectively communicate employment and contracting opportunities that arise.
- 11) Require contractors to submit a list of core employees (including administrative, clerical, planning and other positions pertinent to the construction trades) at the time of contact award.

## 6. Section 3 Outreach

### A. OUTREACH EFFORTS FOR EMPLOYMENT AND TRAINING

In order to educate and inform workers and contractors, Northbridge's Section 3 Coordinator will be prepared to provide training and technical assistance on a regular basis per program guidelines. When training opportunities are available, contractors and subcontractors should, to the greatest extent feasible:

- 1) Notify the Section 3 Coordinator when training opportunities are available
- 2) Provide information/handouts about Section 3 training opportunities to potential Section 3 workers and Targeted Section 3 workers
- 3) Conduct an annual training for Section 3 workers and Section 3 businesses

Contractors and subcontractors should employ several active strategies to notify Section 3 workers and Targeted Section 3 workers of Section 3 job opportunities, including:



- 1) Clearly indicating Section 3 eligibility on all job postings with the following statement: "This job is a Section 3 eligible job opportunity. We encourage applications from individuals that are low income and/or live in Public Housing and/or receive a Section 8 voucher";
- 2) Including the Section 3 Worker and Targeted Section 3 Worker Self-Certification Form in all job postings
- 3) Working with the Section 3 Coordinator to connect Section 3 worker and Targeted Section 3 workers in the Town of Northbridge database with opportunities and/or utilize the Section 3 Opportunity Portal to find qualified candidates
- 4) Establishing a current list of Section 3 eligible applicants
- 5) Contacting local community organizations and provide them with job postings for Section 3 eligible applicants; and
- 6) Coordinating a programmatic ad campaign, which results in widespread job posting across diverse ad networks including:
  - a) Advertising job opportunities via social media, including LinkedIn and Facebook;
  - b) Advertising job opportunities via flyer distributions and mass mailings and posting ad in common areas of housing developments and all public housing management offices
  - c) Contacting resident councils, resident management corporations, and neighborhood community organizations to request their assistance in notifying residents of available training and employment opportunities

## B. OUTREACH EFFORTS FOR CONTRACTING

When contracting opportunities arise in connection with the Community Development Block Grant program, Northbridge will employ the following strategies to notify Section 3 Business Concerns of Section 3 contracting opportunities, including but not limited to:

- 1) Adding Section 3 language to all RFPs, procurement documents, bid offerings and contracts.
- 2) Coordinating mandatory pre-bid meetings to inform Section 3 Business Concerns of upcoming contracting opportunities. The Section 3 Coordinator will participate in these meetings to explain and answer questions related to Section 3 policy.
- 3) Advertising contracting opportunities in local community papers and notices that provide general information about the work to be contracted and where to obtain additional information.
- 4) Providing written notice of contracting opportunities to all known Section 3 Business Concerns. The written notice will be provided in sufficient time to enable business concerns the opportunity to respond to bid invitations.
- 5) Coordinating with the prime contractor to publicize contracting opportunities for small businesses.
- 6) Coordinating with Northbridge's Office of Community Planning and Development and all other business assistance agencies and contractor associations to inform them of contracting opportunities and request their assistance in identifying Section 3 business concerns. This effort could include local community development organizations, business development agencies (Chamber of Commerce), and minority contracting associations.
- 7) Connecting Section 3 business concerns with resources to support business development to assist in obtaining contracting opportunities (e.g., bonding and insurance assistance, etc.). Contractors will also be encouraged to collaborate with the Town of Northbridge as subcontract



opportunities arise in an effort to notify eligible Section 3 business concerns about the contracting opportunities.

## 7. Section 3 Contracting Policy and Procedure

Northbridge will incorporate Section 3 in its existing Procurement Policy and adopt a Section 3 Contracting Policy and Procedure to be included in all procurements generated for use with HUD funding. This policy and procedure contain requirements for making efforts to award contracts to Section 3 Business Concerns.

All contractors/businesses seeking Section 3 preference must, before submitting bids/proposals to the Town of Northbridge, be required to complete certifications, as appropriate. Such certifications shall be adequately supported with appropriate documentation as referenced in the Section 3 Business Concern Certification Form.

## 8. Section 3 Provisions/Contract Language

Northbridge will include standard Section 3 language in all its contracts to ensure compliance with regulations in 24 CFR Part 75. Northbridge will take appropriate actions upon finding that a contractor is in violation of 24 CFR Part 75 and does not knowingly contract with any contractor that has been found in violation of the Section 3 regulations. On a periodic basis the Section 3 Coordinator will audit Northbridge contractors for compliance with the minimum Section 3 requirements outlined in the Section 3 Plan.

In addition, contractors and subrecipients are required to include language in all Section 3 covered contracts or agreements for subcontractors to meet the requirements of 24 CFR Part 75.19 (for housing and community development financial assistance).

For businesses, noncompliance with HUD's regulations in 24 CFR part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

## 9. Reporting Requirements

For Section 3 covered contracts, contractors must submit the Section 3 Performance and Summary Report to Northbridge's Section 3 Coordinator on a monthly basis, and the annual reporting requirement set forth in that form's instructions.

### A. MONTHLY REPORTING

- 1) Contractors are required to submit monthly activity reports to Northbridge's Section 3 Coordinator [wdarragh@cogincorp.com] by the 5th day of each month.

### B. ANNUAL REPORTING

- 1) Once a project is completed, contractors must submit a final Section 3 cumulative report for the program year.
- 2) Upon the completion of a project, Northbridge's Section 3 Coordinator will conduct a final review of the project's overall performance and compliance.



- 3) Northbridge's Section 3 Coordinator will submit the Section 3 data into the Intelligrants system for reporting to HUD at grant closeout.

## C. REPORTING ON PROJECTS WITH MULTIPLE FUNDING SOURCES

- 1) For Section 3 projects that include public housing financial assistance and housing and community development financial assistance, the Northbridge Housing Authority and the Town of Northbridge will report on the project as a whole and will identify the multiple associated recipients.
- 2) For projects assisted with funding from multiple sources of housing and community development assistance that exceed the thresholds of \$200,000 and \$100,000 for Lead Hazard Control and Healthy Homes Programs (LHCHH), the Town of Northbridge will follow subpart C of Part 75 and will report to the applicable HUD program office, as prescribed by HUD. Note: LHCHH assistance is not included in calculating whether the assistance exceeds the \$200,000 threshold. HUD public housing financial assistance and HUD housing and community development financial assistance is not included in calculating whether the assistance exceeds the LHCHH \$100,000 threshold. Refer to chart in [Appendix B](#).

## 10. Internal Section 3 Complaint Procedure

In an effort to resolve complaints generated due to non-compliance through an internal process, Northbridge encourages the submission of such complaints to its Section 3 Coordinator as follows:

- 1) Complaints of non-compliance should be filed in writing and must contain the name of the complainant and a brief description of the alleged violation of 24 CFR Part 75.
- 2) Complaints must be filed within thirty (30) calendar days after the complainant becomes aware of the alleged violation.
- 3) An investigation will be conducted if complaint is found to be valid. Northbridge will conduct an informal, but thorough investigation, affording all interested parties, if any, an opportunity to submit testimony and/or evidence pertinent to the complaint.
- 4) The Town of Northbridge will provide written documentation detailing the findings of the investigation. The Town of Northbridge will review the findings for accuracy and completeness before they are released to complainants. The findings will be made available no later than thirty (30) days after the filing of a complaint. If complainants wish to have their concerns considered outside of the Town of Northbridge a complaint may be filed with:

The HUD program office responsible for the public housing financial assistance or the Section 3 project, or to the local HUD field office. These offices can be found through the HUD website, [www.hud.gov](http://www.hud.gov).

Complainants may be eligible to bring complaints under other federal laws. The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information (medical history or predisposition to disease). For more information about complainant rights, please contact EEOC at: [www.EEOC.gov](http://www.EEOC.gov).



The Department of Labor Office of Federal Contract Compliance Programs (OFCCP) enforces, for the benefit of job seekers and wage earners, the contractual promise of affirmative action and equal employment opportunity required of those who do business with the Federal government. More information about the services they provide can be obtained at: <http://www.dol.gov/ofccp/>.

## 11. Appendices

### APPENDIX A: DEFINITIONS

The terms *HUD*, *Public housing*, and *Public Housing Agency (PHA)* are defined in 24 CFR part 5.

The following definitions also apply to 24 CFR Part 75 HUD's Economic Opportunities for Low-and Very Low-Income Persons:

*1937 Act* means the United States Housing Act of 1937, 42 U.S.C. 1437 et seq. *activities related to Public Housing*

*Contractor* means any entity entering into a contract with:

(1) A recipient to perform work in connection with the expenditure of public housing financial assistance or for work in connection with a Section 3 project; or

(2) A subrecipient for work in connection with a Section 3 project.

*Labor hours* means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance.

*Low-income person* means a person as defined in Section 3(b)(2) of the 1937 Act, at or below 80% AMI. Note that Section 3 worker eligibility uses individual income rather than family/household income.

*Material supply contracts* means contracts for the purchase of products and materials, including, but not limited to, lumber, drywall, wiring, concrete, pipes, toilets, sinks, carpets, and office supplies.

*Professional services* mean non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.

*Public housing financial assistance* means assistance as defined in 24 CFR Part 75.3(a)(1).

*Public housing project* is defined in 24 CFR 905.108.

*Recipient* means any entity that receives directly from HUD public housing financial assistance or housing and community development assistance that funds Section 3 projects, including, but not limited to, any State, local government, instrumentality, PHA, or other public agency, public or private nonprofit organization.

*Section 3* means Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

*Section 3 business concern* means:

(1) A business concern meeting at least one of the following criteria, documented within the last six-month period:



- (i) It is at least 51 percent owned and controlled by low- or very low-income persons;
  - (ii) Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
  - (iii) It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.
- (2) The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.

(3) Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

*Section 3 Coordinator* is a person tasked with overseeing all Section 3 responsibilities for the Community Development Office.

*Section 3 project* means a project defined in 24 CFR Part 75.3(a)(2).

*Section 3 worker* means:

(1) Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:

- (i) The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
- (ii) The worker is employed by a Section 3 business concern.
- (iii) The worker is a YouthBuild participant.

(2) The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.

(3) Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.

*Section 8-assisted housing* refers to housing receiving project-based rental assistance or tenant-based assistance under Section 8 of the 1937 Act.

*Service area or the neighborhood of the project* means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.

*Small PHA* means a public housing authority that manages or operates fewer than 250 public housing units.

*Subcontractor* means any entity that has a contract with a contractor to undertake a portion of the contractor's obligation to perform work in connection with the expenditure of public housing financial assistance or for a Section 3 project.

*Subrecipient* has the meaning provided in the applicable program regulations or in 2 CFR 200.93.



*Targeted Section 3 worker* has the meanings provided in 24 CFR Part 75.11, 75.21, or 75.29, and does not exclude an individual that has a prior arrest or conviction.

*Very low-income person* means the definition for this term set forth in section 3(b)(2) of the 1937 Act (at or below 50% AMI).

*YouthBuild program* refers to YouthBuild programs receiving assistance under the Workforce Innovation and Opportunity Act (29 U.S.C. 3226).



## APPENDIX B: MULTIPLE FUNDING SOURCES - CHART

TYPE OF FINANCIAL ASSISTANCE	DEFINITIONS *TARGETED SECTION 3 WORKER	THRESHOLDS	PRIORITIZATION	REPORTING
<b>Public Housing and Housing and Community Development</b>	<p><b>PHA</b> – must follow subpart B of Part 75</p> <p><b>HCD</b> – may follow subpart B or C of Part 75</p>	<p>None</p> <p>*Any amount of PH assistance triggers Section 3</p>	<p><b>PHA</b> – must follow subpart B of Part 75</p> <p><b>HCD</b> – may follow subpart B or C of Part 75</p>	<p><b>PHA</b> – must follow subpart B of Part 75</p> <p><b>HCD</b> – may follow subpart B or C of Part 75</p> <p>Both - Must report on project as a whole and identify the multiple associated recipients</p>
<b>Multiple Sources of Housing and Community Development <i>(single or multiple recipients)</i></b>	Must follow subpart C of Part 75	<p>Exceeds \$200,000 for Section 3 projects</p> <p>*LHCHHP exceeds \$100,000</p>	Must follow subpart C of Part 75	<p>Must follow subpart C of Part 75</p> <p>Must report on project as a whole and identify the multiple associated recipients</p> <p>Must report to the applicable HUD program office, as prescribed by HUD</p>



<b>Section 3 Housing and Community Development Employer Certification Form</b>	<b>U.S. Department of Housing and Urban Development Office of Field Policy and Management</b>	<b>HUD FORM 4736A</b> OMB Approval Number 2501-0041 (Exp. 04/30/2025)
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*(In compliance with Section 3 of the HUD Act of 1968 and 24 CFR Part 75)*

Public reporting for this collection of information is estimated to average 0.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, and completing and reviewing the collection of information.

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (Section 3), and 12 U.S.C. § 1701u is intended to ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible, directed toward low- and very low-income persons, particularly those who receive government assistance for housing. The regulations are found at 24 CFR Part 75. This collection of information is required in order to ensure that a worker can be certified as an eligible Section 3 worker as outlined in 24 C.F.R. § 75.31. The information will be used by the Department to ensure compliance with Section 3 of the HUD Act of 1968 employer certification requirements listed in 24 CFR § 75.31, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and by recipients to ensure they are complying with their recordkeeping requirements found in the regulation, and as a self-monitoring tool.

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to Anna P. Guido, Reports Management Officer, QDAM, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2501-0041. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number. No assurances of confidentiality are provided for this information collection.

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The purpose of this form is to comply with Section 3 of the HUD Act of 1968 employer certification requirements listed in 24 CFR § 75.31. To qualify as a Section 3 worker, the United States legal resident's annual income must not exceed the HUD income limits for the year before the worker was hired, or the individual's current income annualized on a full-time basis for the year must be below the HUD income limit. Additionally, an individual can qualify as a Section 3 worker and Targeted Section 3 worker if an employee of a Section 3 Business Concern. To qualify as a Targeted Section 3 worker, an employer can confirm that the employee lives within the service area or neighborhood of the project.

---

Please provide the following information about the business/employer:

Name of Business: \_\_\_\_\_

Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone #: \_\_\_\_\_ Email: \_\_\_\_\_

---

Please Provide the following information about the worker/employee:

Printed Name of Worker: \_\_\_\_\_

Street Address (Not a PO Box) \_\_\_\_\_ Apt# \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone #: \_\_\_\_\_ Email: \_\_\_\_\_

---

Please indicate which of the following is true for the worker listed above: (Select all that apply)

<input type="checkbox"/> Worker's income from your employment is below the income limit based on a calculation of what the worker's wage rate would translate to if annualized on a full-time basis*	Income limit: Less than \$68,500/year
<input type="checkbox"/> Worker is employed by a Section 3 Business Concern (Select if your business qualifies as a Section 3 Business Concern)	
<input type="checkbox"/> Worker's residence is within the service area or neighborhood of the project	

\*Currently or at the time of hire if hired within the past 5 years.

---

I, the undersigned, certify under penalty of perjury that the information provided above is true and correct and certify that the worker identified above meets  or does not meet  the definition of a Section 3 worker. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802)

---

Signature \_\_\_\_\_

Date \_\_\_\_\_

# TOWN of NORTHBIDGE

## Section 3 Business Concern Certification for Contracting

**Instructions:** Enter the following information and select the criteria that applies to certify your business' Section 3 Business Concern status.

### Business Information

Name of Business \_\_\_\_\_

Address of Business \_\_\_\_\_

Name of Business Owner \_\_\_\_\_

Phone Number of Business Owner \_\_\_\_\_

Email Address of Business Owner \_\_\_\_\_

### Preferred Contact Information

Same as above

Name of Preferred Contact \_\_\_\_\_

Phone Number of Preferred Contact \_\_\_\_\_

### Type of Business (select from the following options):

Corporation       Partnership       Sole Proprietorship       Joint Venture

### Select from ONE of the following three options below that applies:

At least 51 percent of the business is owned and controlled by low- or very low-income persons (Refer to income guidelines on page 3).

At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers (Refer to definition on page 3).

None of the above



### **Business Concern Affirmation**

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief. I understand that businesses who misrepresent themselves as Section 3 business concerns and report false information to the Town of Northbridge may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities. I hereby certify, under penalty of law, that the following information is correct to the best of my knowledge.

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\*Certification expires within six months of the date of signature

Information regarding Section 3 Business Concerns can be found at [24 CFR 75.5](#)

#### **FOR ADMINISTRATIVE USE ONLY**

Is the business a Section 3 business concern based upon their certification?

YES       NO

**EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS.**

**The Town of Northbridge**  
**Section 3 Income Limits**

**Eligibility Guidelines**

The worker's income must be at or below the amount provided below for an individual (household of 1) regardless of actual household size.

**Individual Income Limits for Town of Northbridge  
FY 2024**

Income Limits Category	FY 2024 Income Limits
Extremely Low Income Limits (30%)	\$27,050
Very Low Income Limits (50%)	\$45,500
Low Income Limits (80%)	\$68,500

See <https://www.huduser.gov/portal/datasets/il.html> for most recent income limits.

Section 3 Worker Definition:

- A low or very low-income resident (the worker's income for the previous or annualized calendar year is below the income limit established by HUD); or
- Employed by a Section 3 business concern; or
- A YouthBuild participant.

Targeted Section 3 Worker Definition:

- Employed by a Section 3 business concern or
- Currently meets or when hired met at least one of the following categories as documented within the past five years:
  - A resident of public housing; or
  - A resident of other public housing projects or Section 8-assisted housing; or
  - A YouthBuild participant.



# Section 3 Utilization Tracker: Business Labor Hours

U.S. Department of Housing and Urban Development  
Office of Field Policy and Management

OMB 2501-0040  
Expiration 04-30-2025 HUD  
Form 4737

Public reporting for this collection of information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, and completing and reviewing the collection of information.

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (Section 3), and 12 U.S.C. § 1701u ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible, directed toward low- and very low-income persons, particularly those who receive government assistance for housing. The regulations are found at 24 CFR Part 75. This collection of information is required to ensure that Section 3 workers and Section 3 Business concerns participating in Housing and Community Development Projects and Public Housing Assistance Projects with HUD funding are documenting Section 3 labor hours to meet the requirements of Section 3 found in 24 CFR part 75. The information will be used by the Department to monitor program recipient's compliance with Section 3, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and by recipients as a self-monitoring tool.

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to Anna P. Guido, Reports Management Officer, QDAM, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2501-0040. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number. No assurances of confidentiality are provided for this information collection.

## FORM A: Business Labor Hours Tracking

*Tracking of labor hours occurs throughout the project and is reported no later than the conclusion of the work for the identified business. This form is completed in conjunction with Form B for Section 3 Workers and Section 3 Targeted Workers labor hours. An alternative to this use of this form can be from a business or employer's good faith assessment of the labor hours of a full-time or part-time employee informed by the employer's existing salary or time and attendance based payroll systems, unless the project or activity is otherwise subject to requirements specifying time and attendance reporting.*

	Business Name	Non-Section 3 Business	Section 3 Business (must be verified by recipient/subrecipient before contract is executed)	Total number of Section 3 worker or Section 3 business labor hours worked	Total targeted Section 3 worker labor hours. (Of the total Section 3 worker labor hours reported list total labor hours from Targeted Section 3 workers)	Total number of labor hours worked from non-Section 3 and Section 3 workers/Section 3 businesses	Section 3 Benchmark non-Section 3 businesses calculate column E divided by column G
A. Construction (HCD programs) or Capital Expenses (PHAs) <i>(Enter labor hours for all construction contracts or subcontracts in the project. Note Section 3 requirements do not apply to material supply contracts.)</i>						All Section 3 businesses report total in column E	All Section 3 business shall record 100% of total labor hours
B. Construction subtotal (Add all amounts in column E to display a subtotal for column E; Add all amounts in column G to display subtotal of all labor hours in column G)							
C. Professional Services/Recipients <i>Professional Service/recipients Section 3 worker labor hours are only added to the total in column E. (Optional reporting, but is encouraged if it is Section 3 Business or Section 3 worker)</i>							
D. Professional Services/Recipient Subtotal (Add all professional service/recipient hours reported in column E to display a subtotal for column E. This subtotal amount is added to the cumulative hours total in column E)							
E. Cumulative Project Labor Hours							
F. Benchmark met.							

## **HUD Section 3 Utilization Tool:**

### **Section 3 Projects with HCD Funding**

Public reporting for this collection of information is estimated to average 1.50 hours per response, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, and completing and reviewing the collection of information.

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (Section 3), and 12 U.S.C. § 1701u ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible, directed toward low- and very low-income persons, particularly those who receive government assistance for housing. The regulations are found at 24 CFR Part 75. This collection of information is required to ensure that Section 3 workers and Section 3 Business concerns participating in Housing and Community Development Projects and Public Housing Assistance Projects with HUD funding are documenting Section 3 labor hours to meet the requirements of Section 3 found in 24 CFR part 75. The information will be used by the Department to monitor program recipient's compliance with Section 3, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and by recipients as a self-monitoring tool.

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to Anna P. Guido, Reports Management Officer, QDAM, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2501-0040. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number. No assurances of confidentiality are provided for this information collection.

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The Utilization Tool is to document the Section 3 labor hours for Section 3 workers and Section 3 Business Concerns. This document and accompanying forms are to be completed by businesses, procured in accordance with program requirements, that work on a Section 3 project. Please note that the procurement process and the Section 3 Worker or Section 3 business concern self-certification and verification process is completed outside of this plan.

#### **Section I      Project Information**

HUD-funded entity: Town of Northbridge

Subrecipient: Not Applicable

Prime/General Contractor: \_\_\_\_\_

Primary contact name and title: \_\_\_\_\_

Primary contact email and phone: \_\_\_\_\_

Project name or title: Church Avenue Reconstruction - Phase One

Date funding awarded: \_\_\_\_\_

#### **Section II      Funding Source**

Section 3 projects must report the amount of HUD funds awarded to a project. If the single or combined award of HUD-funding is \$200,000 or greater (or \$100,000 or greater from the programs noted with an asterisk) the remaining sections of the form must be completed.

A Section 3 project is the site or sites together with any building(s) and improvements on the site(s) that are under common ownership, management, and financing. Recipients are encouraged to include Section 3 requirements in any subrecipient agreement or contract where applicable HUD program funds are obligated or awarded.

Select name of HUD program (if program is not listed, please use “other” option listed in the chart) providing funding and list the amount of funding in the project:

	Name of HUD Program	Funded Amount
<input checked="" type="checkbox"/>	Community Development Block Grant (CDBG)	\$790,000.00
	HOME Investment Partnership Grant	\$
	Emergency Shelter Grant (ESG)	\$
	Housing Opportunities for Persons with Aids (HOPWA)	\$
	Disaster Recovery Grant	\$
	Section 202/811	\$
	Housing Trust Fund	\$
	Self Help Ownership Program (SHOP)	\$
	Continuum of Care	\$
	Healthy Homes*	\$
	Lead Abatement Grant*	\$
	Other HUD funded programs (enter name of program)	\$
	Public Housing Funding	\$
	PH Operations Funds	\$
	PH Capital Funds	\$
	PH Moving to Work Funds	\$
	External Funds (non-HUD)	\$300,000.00
<b>Total Funded Amount</b>		<b>\$1,090,000.00</b>

The above table can also be found as a spreadsheet on Form 4737D

Please note that recipients must require the contractor and/or subcontractor, to the greatest extent feasible, to ensure that employment and training opportunities and contracts for work arising in connection with Section 3 projects are provided to Section 3 workers and business concerns that provide economic opportunities to Section 3 workers within the metropolitan area or (nonmetropolitan county) in which the project is located.

Any employment and training or contracting opportunities in connection with Section 3 projects should give priority, to the greatest extent feasible, to the following:

1. Section 3 worker residing in or Section 3 business concern providing economic opportunities to Section 3 workers in the service area or neighborhood of the project; or
2. YouthBuild participants

The service area or neighborhood of the project means an area:

- Within one mile of the Section 3 project work site, or
- Within a circle centered on the Section 3 project work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census, if fewer than 5,000 people live within one mile of a Section 3 project.

### **Section III Identification and Recordkeeping for Section 3 Businesses**

For each Section 3 Business that is completing work on the Section 3 project identified in Section I, complete the HCD Form 4737 with information for each contractor as instructed on the form. Each contractor must document the total number of labor hours and enter the specific amount of Section 3 business labor hours worked on the project. Certification will be documented prior to the execution of a contract. Professional service providers and recipients or subrecipient information may be entered. Certification documentation must be maintained by the recipient, or the recipient must ensure that the subrecipient, contractor, or subcontractor maintains documentation for the required record retention period in accordance with applicable program regulations or, in the absence of applicable program regulations, in accordance with 2 CFR Part 200. (See HCD Form 4737 attached)

Form 4737 is intended to provide a template for both non-Section 3 Businesses and Section 3 Businesses to record labor hours to document compliance on the Section 3 project. A business can also use a separate form or internal system to document compliance. Form 4737 tracks the total number of labor hours for each business that is contracted to complete work on the Section 3 project.

### **Section IV Identification and Recordkeeping for Section 3 Workers and Targeted Section 3 Workers**

For each Section 3 worker that is employed on a Section 3 project, complete Form 4737A with information for each contractor as instructed on the form. Each contractor must document the total number of labor hours, and the total number of Section 3 workers and Targeted Section 3 worker labor hours worked on the project. Certification is documented outside of this form. Professional service providers and recipients or subrecipient information may be entered. Certification documentation must be maintained by the recipient, or the recipient must ensure that the subrecipient, contractor, or subcontractor maintains documentation for the required record retention period in accordance with applicable program regulations or, in the absence of applicable program regulations, in accordance with 2 CFR Part 200. (See Form 4737A attached)

Form 4737A is intended to provide a template for both non-Section 3 Businesses and Section 3 Businesses to record labor hours to document compliance on the Section 3 project. A business can also use a separate form or internal system to document compliance. Form 4737A tracks the total number of labor hours for each business that is contracted to complete work on the Section 3 project.

## Section V     Certification

By signing this Section 3 Utilization Tool, \_\_\_\_\_, [name of contractor] certifies that it meets the requirements of 24 CFR § 75.19. To the greatest extent feasible, the undersigned agrees to provide employment and training opportunities and contracts for work arising in connection with Section 3 projects to Section 3 workers and business concerns that provide economic opportunities to Section 3 workers within the metropolitan area or (nonmetropolitan county) in which the project is located.

---

Printed Name of Signer

Date

---

Signature

*Note: This form must be signed by a representative, officer, or agent of the entity or business signing and certifying this information.*

### **Section 3 Reporting Template**

Complete highlighted sections and upload in this template to the miscellaneous attachments section in Intelligrants, for ***each completed project at time of completion***

**Community, Project Name and Program Year:**

[Redacted]

**Project Type** (housing rehabilitation, housing construction, barrier removal, demolition, other public buildings, facilities, or infrastructure):

[Redacted]

Total Labor Hours	Provide #	Calculated Percentage of Total	Safe Harbor Benchmark Met (y/n)	
		(y/n)		
Section 3 Worker Hours	Provide #	Sect. 3 hours/total hours	(y/n)	
Targeted Section 3 Worker Hours	Provide #	Sect. 3 hours/total hours	(y/n)	

#### **Nature of Agency Efforts**

This section is required if, based on the labor hours reporting above, the reporting agency did not meet the safe harbor benchmarks. Check all that apply. Maintain records available for HUD review to document any efforts checked.

	Outreach efforts to generate job applicants who are Public Housing Targeted Workers
	Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
	Direct, on-the job training (including apprenticeships)
	Indirect training such as arranging for, contracting for, or paying tuition for, off site training.
	Technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
	Outreach efforts to identify and secure bids from Section'3 business concerns
	Technical assistance to help Section 3 business concerns understand and bid on contracts.
	Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
	Provided or connected residents with assistance in seeking employment including drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
	Held one or more job fairs.

	Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
	Assisted residents with finding childcare.
	Assisted residents to apply for or attend community college or a four-year educational institution.
	Assisted residents to apply for or attend vocational/technical training.
	Assisted residents to obtain financial literacy training and/or coaching,
	Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
	Provided or connected residents with training on computer use or online technologies
	Promoting the use of a business registry designed to create opportunities for disadvantaged and small businesses.
	Outreach, engagement, or referrals with the state one-stop system, as designed in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.
	Other – Specify:

v1

#### **Safe Harbor Benchmarks**

Per the Benchmark Notice, the current benchmarks that apply for a Section 3 project (assisted under HUD programs that provide housing and community development financial assistance where the amount of assistance to the project exceeds a threshold of \$200,000) are:

- a. Benchmark 1: Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Section 3 workers - Section 3 Labor Hours/Total Labor Hours = 25%  
and
- b. Benchmark 2: Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Targeted Section 3 workers - Targeted Section 3 Labor Hours/Total Labor Hours = 5%